

Message Text

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64

ACTION ARA-10

INFO OCT-01 ISO-00 IO-13 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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OES-06 INT-05 FEA-01 COME-00 FRB-03 XMB-02 /105 W

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R 122110Z NOV 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 5615

INFO AMEMBASSY BOGOTA

AMEMBASSY BRIDGETOWN

AMEMBASSY CURACAO

AMEMBASSY GEORGETOWN

AMEMBASSYPANAMA

AMEMBASSY PORT OF SPAIN

USUN NEW YORK 1057

USCINCSO

CONCLANT

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 13437

TAGS: PFOR, PDIP, MORG, ETRD, ENRG,

ELAB, VE, XL, US, PN

SUBJ: THIS WEEK IN VENEZUELA

REF: CARACAS 13139

SUMMARY. INTERIOR MINISTER LEPAGE WILL BE
ACTING PRESIDENT OF VENEZUELA DURING
PRESIDENT PEREZ' 15-DAY TRIP TO NEW YORK
AND EUROPE. PRIOR TO HIS DEPARTURE, PEREZ
REITERATED HIS PLEASURE AT THE CARTER VICTORY
AND HIS CALL ON THE PRESIDENT-ELECT TO
RESOLVE THE CANAL ISSUE WHICH WILL BE "THE
TRIAL BY FIRE" FOR PRESIDENT CARTER'S
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RELATIONS WITH LATIN AMERICA. IN THE

CONTINUING CUBANA AIRPLANE CRASH SAGA,
THE FOUR SUSPECTS WERE TRANSFERRED TO
A SEPARATE PRISON. THEY ARE EXPECTED TO
GIVE TESTIMONY NEXT WEEK. AD LEADERS
CONTINUE TO HOVER AROUND FORMER PRESIENT
BETANCOURT AS THEY MANEUVER FOR THE AD
PRESIDENTIAL NOMINATION IN 1978. TAX
REFORM IS DEBATED IN VENEZUELA. VENEZUELAN
AMCHAM REITERATES ITS CALL FOR CHANGE IN
THE 1974 TRADE ACT WHICH DISCRIMINATES
AGAINST VENEZUELA'S ACCESS TO GSP.
GOVT LEADERS REACT SHARPLY TO REP
REUSS' CHARGES OF GREED IN OIL PRICING.
PETROVEN CONTINUES TO CONSOLIDATE ITS
CONTROL OVER THE OIL SECTOR. UNITAS XVII
HAS A SUCCESSFUL VISIT TO VENEZUELA.

1. INTERIOR MINISTER OCTAVIO LEPAGE TO BE
ACTING PRESIDENT DURING PRESIDENT PEREZ'
TRIP OVERSEAS.

INTERIOR MINISTER OCTAVIO LEPAGE (THE SENIOR
CABINET MINISTER) WILL BE ACTING PRESIDENT
OF VENEZUELA DURING PRESIDENT PEREZ'
ABSENCE FROM THE COUNTRY NOV 15-30.
DURING THIS FIFTEEN DAY
PERIOD, LEPAGE WILL RESIDE IN THE PRESIDENT'S
GUEST HOUSE FOR FOREIGN CHIEFS OF STATE,
"LA VINETA", WHICH WILL ALLOW LEPAGE READY
ACCESS TO THE PRESIDENTIAL STAFF. UNDER
THE VENEZUELAN CONSTITUTION, THE RANKING
CABINET OFFICER ASSUMES THE DUTIES
OF ACTING PRESIDENT WHEN THE PRESIDENT IS AWAY.

2. PRESIDENT-PEREZ REITERATES HIS PLEASURE
AT CARTER VICTORY, AND HIS CALL FOR PRESIDENT-
ELECT TO RESOLVE CANAL ISSUE.

AT A NOV 10 LUNCHEIO MEETING WITH FOREIGN
CORRESPONDENTS PRIOR TO HIS VISIT OVERSEAS,
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PRESIDENT PEREZ REITERATED (SEE CARACAS 13118)
THAT"... AS A LATIN AMERICAN CITIZEN, I
MUST EXPRESS SATISFACTION WITH JIMMY CARTER'S
VICTORY. THIS IS BECAUSE I THINK THAT
DEMOCRATIC PRESIDENTS HAVE DEMONSTRATED GREATER
INTEREST IN LATIN AMERICAN(THEN REPUBLICANS)
AND HAVE IDENTIFIED MORE WITH LATIN AMERICAN
DESIRES." HE ADDED THAT, OF COURSE, VENEZUELA

HAS DOUBTS ABOUT THE CONDUCT OF US TOWARD
LATIN AMERICA. TURNING TO PANAMA, PEREZ
SAID "I HOPE
FERVENTLY THAT DURING THE NEXT
YEAR THE PROBLEM REGARDING THE SOVEREIGNTY OF
THE PANAMA CANAL CAN BE RESOLVED, AND
ADDED THAT "WE MUST DO JUSTICE TO THE PRESENT
ADMINISTRATION(BY) SAYING THAT BOTH
PRESIDENT FORD AND SECRETARY KISSINGER HAVE
MADE A SINCERE EFFORT TO MAKE PROGRESS IN
CONVERSATIONS WITH PANAMA. AND THE GREAT
HISTORIC RESPONSIBILITY AND THE TRIAL BY
FIRE FOR PRESIDENT CARTER IN HIS RELATIONS
WITH LATIN AMERICA IS GOING TO BE THE DEFINITIVE
SOLUTION OF THIS PROBLEM."

SPEAKING OF THE CARTER ADMINISTRATION'S
POSSIBLE POLICY TOWARD LATIN AMERICA,
EX-FOREIGN MINISTERS MARCOS FALCON BRICENO
AND IGNACION LUIS ARCAYA BOTH EXPRESSED THE
HOPE THAT PRESIDENT-ELECT CARTER WILL FOLLOW
THRU ON HIS CAMPAIGN STATEMENTS TO TREAT
COUNTRIES INDIVIDUALLY AND TO MAKE A CLEAR
DISTINCTION BETWEEN DICTATORSHIPS AND
DEMOCRACIES.

COMMENT: PRESIDENT PEREZ' STATEMENT OF
NOV 10 ON THE CARTER VICTORY CONTAINS
LITTLE NEW SUBSTANCE BEYOND WHAT HE ALREADY
SAID IN HIS CONGRATULATORY TELEGRAM OF NOV
4, ALTHOUGH THE TONE IS SOMEWHAT LESS STRIDENTLY
CRITICAL OF PRESENT US POLICY TOWARD LATIN
AMERICA. HE REITERATED THE VITAL IMPORTANCE
OF AN IMMEDIATE SOLUTION TO THE PANAMA
CANAL ISSUE WHICH WILL BE THE TOUCHSTONE OF
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THE CARTER ADMINISTRATION'S RELATIONSHIP
WITH LATIN AMERICA. HE WENT SOMEWHAT FURTHER
IN HIS PRAISE OF PRESIDENT FORD AND SECRETARY
KISSINGER'S EFFORT TO SETTLE THE CANAL ISSUE
THAN HE HAD DONE IN RECENT PUBLIC PRONOUNCEMENTS
ON THIS ISSUE. HE ALSO STATED PUBLICLY
FOR THE FIRST TIME WHAT MANY
VENEZUELAN POLITICIANS BELIEVE: THAT
DEMOCRATIC PRESIDENTS HAVE TRADITIONALLY
BEEN MORE INTERESTED IN LATIN AMERICAN THAN
REPUBLICAN PRESIDENTS. END COMMENT.

3. CUBANA CASE - FOUR SUSPECTS TRANSFERRED
TO SEPARATE PRISON.
ORLANDO BOSCH, LUIS POSADA CARRILES,

HERNAN RICARDO LOZANO, AND FREDDY LUGO WERE TRANSFERRED FROM DISIP HDQTS TO ANOTHER PRISION NOV 9. IN THE MEANTIME, THEIR LAWYERS CONTINUED THEIR STUDY OF THE JUDGE'S CHARGES AGAINST THE FOUR, AND THE LAWYERS STATED THAT THE SUSPECTS WILL APPEAR BEFORE JUDGE DALIA ESTABA MORENO NEXT WEEK TO GIVE TESTIMONY. THE LAWYERS FOR RICARDO AND LUGO ASSERTED THAT UNDER THE VENEZUELAN PENAL CODE A CORPUS DELICTI MUST BE PRODUCED TO PROVE GUILT FOR A CRIME COMMITTED OUTSIDE OF VENEZUELA. THEY MAINTAINED THAT DISIP DOES NOT HAVE SUCH EVIDENCE. BOSCH'S LAWYER ALSO NOTED THAT THE CHARGES AGAINST HIM CONTAIN NO MENTION OF THE ASSASSINATION OF ORLANDO LETELIER.

COMMENT: THE LAWYERS FOR THE FOUR SUSPECTS ARE OBVIOUSLY TRYING TO PUT THE BEST CASE FORWARD FOR THEIR CLIENTS, PARTICULARLY IN VIEW OF A GENERALLY NEGATIVE MEDIA TREATMENT THEY HAVE RECEIVED TO DATE. IN ADDITION, PRESS REPORTING ON THIS CASE (AS WITH OTHER SENSATIONAL STORIES) OFTEN TENDS TO BE DISTORTED, EVEN BY THE MORE RESPONSIBLE VENEZUELAN NEWSPAPERS. END COMMENT.

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4. AD LEADERS HOVERING AROUND BETANCOURT. DEPUTY JAIME LUSINCHI, AD FLOOR LEADER IN THE CONGRESS AND A POSSIBLE AD PRESIDENTIAL

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ACTION ARA-10

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

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OES-06 INT-05 FEA-01 COME-00 FRB-03 XMB-02 /105 W

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R 122110Z NOV 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 5616

AMEMBASSY BOGOTA

AMEMBASSY BRIDGETOWN

AMCONSUL CURACAO

AMEMBASSY GEORGETOWN

AMEMBASSY PANAMA

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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 13437

CNADIDATE IN 1978, RETURNED NOV 8 FROM TALKS IN NEW YORK WITH EX-PRESIDENT ROMULO BETANCOURT AND IMMEDIATELY CLAIMED THAT BETANCOURT HAD AUTHORIZED HIM TO SAY THAT THE EX-PRESIDENT HAS NOT INTERVENED AND WILL NOT INTERVENE IN MATTERS HAVING TO DO WITH THE SELECTION OF THE AD PARTY'S CANDIDATE. LUSINCHI EMPHASIZED THAT THE AD CONVENTION WILL CHOOSE THE NOMINEE AND THAT BETANCOURT WOULD MAKE HIS VIEWS KNOWN DURING THAT CONVENTION. TRYING TO PUT HIS OWN UNANNOUNCED CANDIDACY IN THE BEST LIGHT, LUSINCHI CHARACTERIZED AS "PURE SPECULATION" SUGGESTIONS THAT BETANCOURT PREFERS D SECRETARY GENERAL LUIS PINERUA ORDAZ FOR CONFIDENTIAL

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THE NOMINATION. MEANWHILE, BETANCOURT CONTINUES TO BE A MAGNET FOR TRAVELLING ADECOS. PINERUA, NOW IN SPAIN FOR TALKS WITH SOCIALIST LEADERS, INTENDS TO SEE BETANCOURT ON HIS RETURN JOURNEY TO VENEZUELA, AND PRESIDENT PEREZ HAS INDICATED THAT HE WILL MEET WITH THE AD ELDER STATESMAN WHILE IN NEW YORK TO ADDRESS UNGA.

5. TAX REFORM DEBATED IN VENEZUELA. TAX REFORM HAS BECOME A LIVELY SUBJECT OF DISCUSSION IN VENEZUELA(CARACAS 13364). AFTER WEEKS OF SPECULATION,THE CABINET

APPROVED A LEGISLATIVE PACKAGE NOV 9
AND THE PRESIDENT MADE ITS CONTENTS PUBLIC
THE NEXT DAY. CONTRARY TO EARLIER GOVT
DENIALS, THE PROPOSAL NOT ONLY REFORMS
EXISTING TAX LAW, BUT CONTAINS PROVISIONS
FOR NEW REVENUE SOURCES. PRELIMINARY REACTION
AMONG BUSINESS GROUPS SEEMS TO BE ONE OF RELIEF
AND CAUTIOUS ACCEPTANCE; EARLIER AND UNOFFICIAL
VERSIONS OF BILL CIRCULATED IN CARACAS CON-
TAINED PROVISION MORE STRINGENT THAN THOSE
NOW PROPOSED. WHILE IT IS LIKELY THAT
PACKAGE WILL BE LAID BEFORE CONGRESS THIS
YEAR, NO ACTION IS EXPECTED BEFORE 1977
LEGISLATIVE SESSION. PRESIDENT PEREZ HAS
PROMISED THAT INTERVENING MONTHS WOULD
GIVE ALL SECTORS FULL OPPORTUNITY TO EXPRESS
THEIR VIEWS. NO ESTIMATE OF TOTAL ADDITIONAL
REVENUE EXPECTED UNDER PROPOSED NEW LAW
IS AVAILABLE.

6. VENEZUELAN AMERICAN CHAMBER OF COMMERCE
ASKS FOR CHANGES IN TRADE ACT OF 1974.
IN A MESSAGE OF CONGRATULATIONS SENT TO
PRESIDENT-ELECT CARTER NOV 4, THE
VENEZUELAN AMERICAN CHAMBER OF COMMERCE
APPEALED FOR CHANGES IN THE TRADE ACT WHICH
WOULD ENABLE EXPORTS FROM VENEZUELA TO ENTER
THE US DUTY FREE UNDER GSP.
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THE MESSAGE ARGUED THAT WHILE IT IS TRUE
VENEZUELA IS A MEMBER OF OPEC, THE GOV CONTINUED
AND EVEN INCREASED EXPORTS OF PETROL
TO THE US DURING THE 1974 EMBARGO.
THEREFORE, THE PROVISION WHICH BARS
OPEC MEMBERS FROM GSP ELIGIBILITY SHOULD
BE AMENDED IN FAVOR OF VENEZUELA, THUS RE-
MOVING AN UNNECESSARY IRRITANT FROM BILATERAL
RELATIONS. THIS IS NOT A NEW POSITION FOR
THE CHAMBER, WHICH HAS PRESENTED THIS CASE
ON EVERY APPROPRIATE OCCASION DURING THE PAST
TWO YEARS.

7. GOVT LEADERS REACT TO CHARGES OF
GREED IN OIL PRICING.
REACTING SHARPLY TO REP HENRY REUSS'
(DEM WISCONSIN) REPORTED REFERENCE TO VEN-
EZUELA'S "GREEDY ROLE" IN SUPPORTING OPEC
PRICE INCREASES, GOVT LEADERS RETORTED
THAT THIS TERM SHOULD INSTEAD BE APPLIED TO

SOME DEVELOPED COUNTRIES. THEY DESCRIBED VENEZUELA'S PETROLEUM POLICY AS A SOVEREIGN MATTER, BASED ON THE PRINCIPLES OF RATIONAL CONSERVATION OF THE RESOURCE AND THE DEFENSE OF ITS PRICE IN WORLD MARKETS, AND SAID THAT PRICING DECISIONS, WHILE TAKEN WITHIN OPEC'S GENERAL POLICIES, ARE IN ACCORD WITH THE COUNTRIES OWN NATIONAL INTERESTS. THEY ALSO CHARACTERIZED AS THOUGHTLESS REP REUS' COMMENT THAT US BANKS SHOULD BE DISCOURAGED FROM LENDING VENEZUELA MONEY IF IT CONTINUES TO SUPPORT OPEC PRICE INCREASES, CLAIMING THAT THE RECENT \$1 BILLION LOAN ARRANGED BY US BANKS (CARACAS 11725) REPRESENTS ONLY A SMALL FRACTION OF VENEZUELAN FUNDS DEPOSITED IN THE US.

8. PETROVEN CONTINUES TO CONSOLIDATE ITS CONTROL OVER THE OIL SECTOR. UNDER THE TERMS OF A RECENTLY SIGNED AGREEMENT, RESEARCH IN THE PETROLEUM AND PETROCHE-
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MICAL FIELDS FORMERLY CONDUCTED BY THE VENEZUELAN INSTITUTE OF SCIENTIFIC INVESTIGATION (IVIC) IS NOW TO BE TRANSFERRED TO THE VENEZUELAN TECHNOLOGICAL INSTITUTE FOR PETROLEUM. (INTEVEP). THE AGREEMENT PROVIDES, HOWEVER, FOR THE TRANSFER OF PERSONNEL AND EQUIPMENT TO TAKE PLACE GRADUALLY, SINCE INTEVEP, ESTABLISHED EARLIER THIS YEAR AS AN ADJUNCT TO PETROVEN, IS STILL BEING ORGANIZED. OF POTENTIALLY MORE SIGNIFICANCE, THE MINISTER OF MINES RECENTLY CONFIRMED THAT PETROVEN WOULD BE RESPONSIBLE FOR FUTURE OPERATIONS IN THE ORINOCO HEAVY OIL BELT, ALTHOUGH THE MINISTRY WOULD RETAIN CONTROL OVER POLICY QUESTIONS REGARDING THE REGION'S DEVELOPMENT. WHILE NOT A DEFINITIVE STATEMENT, THIS MAY BE AN INDICATION THAT PETROVEN IS GAINING GROUND IN ITS EFFORTS TO AVOID DIRECT MINISTER INVOLVEMENT IN THE DEVELOPMENT OF NEW PETROLEUM AREAS, AN ISSUE WHICH MUST BE RESOLVED BEFORE MEDIUM AND LONG TERM DEVELOPMENT PLANS CAN BE DRAWN UP.

9. UNITAS XVII. THE USS MACDONOUGH, USS HART AND USS DAVID ARRWEO ARRIVED NOV 9 FOR A FOUR DAY PORT VISIT IN CARACAS AFTER

SEA OPERATIONS WITH THE VENEZUELA NAVY DURING
THE ANNUAL UNITAS JOINT EXERCISE. THE SEA
OPERATIONS BEGAN NOV 5 AFTER A REFUELING
STOP IN AMUAY. ANOTHER REFUELING STOP IS
SCHEDULED FOR PUERTO LA CRUZ ON NOV 14
PRIOR TO THE RETURN OF THE UNITAS SHIPS TO
THE US. THE JOINT OPERATIONS WITH THE
VENEZUELAN NAVY WERE VERY SUCCESSFUL
THIS YEAR.
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